

Message Text

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16

ACTION NEA-13

INFO OCT-01 ISO-00 AGR-20 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PA-04

USIA-15 PRS-01 SAM-01 DRC-01 SWF-02 /134 W

----- 085730

R 190835Z FEB 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 1543

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E.O. 11652: N/A

TAGS: ECON, IS

SUBJ: INFLATION SURGES TO NEW HEIGHTS

REF: (A) TEL AVIV 0498; (B) TEL AVIV 0915

1. CONSUMER PRICE INDEX (CPI) ROSE 3.5 PERCENT DURING JANUARY, AND FURTHER SIX PERCENT DURING FIRST WEEK IN FEBRUARY, MAINLY DUE TO INCREASES IN CONTROLLED PRICES OF FOODSTUFFS AND CANCELLATION OF SUBSIDIES (REF A). MAGNITUDE OF IMPACT ON CPI COMES AS SHOCK; IT ENSURES THAT RISE IN CPI DURING FEBRUARY WILL BE HIGHEST BY FAR IN ISRAEL'S HISTORY. IT CAN BE EXPECTED TO STIFFEN LABOR DEMANDS FOR HIGHER WAGES AND/OR OTHER COMPENSATION IN FORTHCOMING CYCLE OF BIENNIAL WAGE NEGOTIATIONS DUE BEFORE END OF MARCH. IN THIS RESPECT TIMING COULDN'T BE WORSE.

2. WITH 10 PERCENT RISE IN CPI DURING FIRST TWO MONTHS, WE MUST NOW WRITE DOWN 25 PERCENT ATTAINED LAST YEAR AS ABSOLUTE MINIMUM CALCULATION FOR 1974; MUCH MORE LIKELY IS 30-35 PERCENT. WE MUST ALSO EXPECT PRONOUNCED EFFECT ON BALANCE OF PAYMENTS: IMPORTS WILL SOAR AND EXPORTS WILL BE RETARDED TO SIGNIFICANT DEGREE.

3. IN ADDITION TO IMPACT ON OVERALL ISRAELI ECONOMY, INFLATION

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WILL HAVE MAJOR IMPACT ON EMBASSY'S BUDGET DURING COMING YEAR.

(REF B).
KEATING

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COST OF LIVING, INFLATION, ECONOMIC CONDITIONS, IMPORTS, LABOR OBJECTIVES, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TELAV00936
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740223/aaaaavrc.tel
Line Count: 63
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) TEL AVIV 0498; (B) TEL AVIV 0915
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 20 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 AUG 2002 by boyleja>; APPROVED <04-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INFLATION SURGES TO NEW HEIGHTS
TAGS: ECON, IS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005